

Meeting: CABINET

Agenda Item:

Portfolio Area: Resources and Performance



Date: 12 November 2025

2ND QUARTER REVENUE AND CAPITAL MONITORING REPORT 2025/26 – GENERAL FUND AND HRA

KEY DECISION

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1. PURPOSE

- 1.1 To update Members on the projected General Fund (GF), Housing Revenue Account (HRA) and Capital 2025/26 net expenditure and seek approval to amend the General Fund, HRA and Capital budgets as part of the quarterly revenue monitoring review.
- 1.2 To update Members on the reserves and balances available to support revenue expenditure and seek approval for revisions to the allocated reserves.

2. RECOMMENDATIONS

General Fund

- 2.1 That the 2025/26 second quarter projected net increase in General Fund expenditure of £1,380 be approved.
- 2.2 That Members approve the use of EPR reserve funding for the initial supply of caddy liners, at a cost of £11,120.
- 2.3 That Members note the proposed movement on reserves as detailed in paragraph 4.3.1.
- 2.4 That Members approve Revenue Contribution to Capital Outlay (RCCO) of £150,000 to fund future urgent unplanned capital works.

Housing Revenue Account

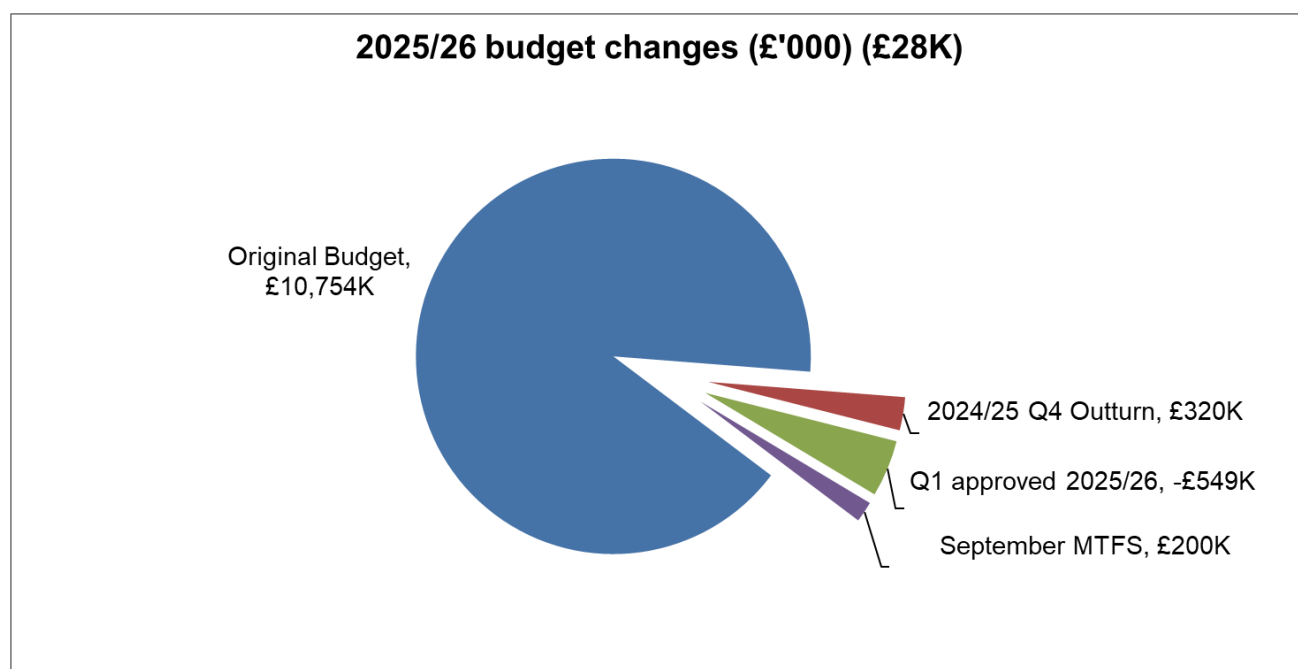
- 2.5 That the 2025/26 second quarter net decrease in HRA expenditure of £164,550 be approved.

Capital Programme

- 2.6. That the General Fund capital budget re-phasing of £6.4 Million from 2025/26 to future years be approved.
- 2.7. That the Housing Revenue Account capital budget re-phasing of £3.6 Million from 2025/26 to future years be approved.
- 2.8. That net changes to budgets fully grant and external contributions funded of (£246K) in paragraph 4.9.2 be noted.
- 2.9. That General Fund virements in section 4.10 be approved.
- 2.10. That an additional £150K be added to the deferred works reserve funded by revenue contributions to capital in 2025/26.
- 2.11. That the proposed changes to the funding of the General Fund and HRA capital budgets in section 4.11 be approved.

3. BACKGROUND - GENERAL FUND

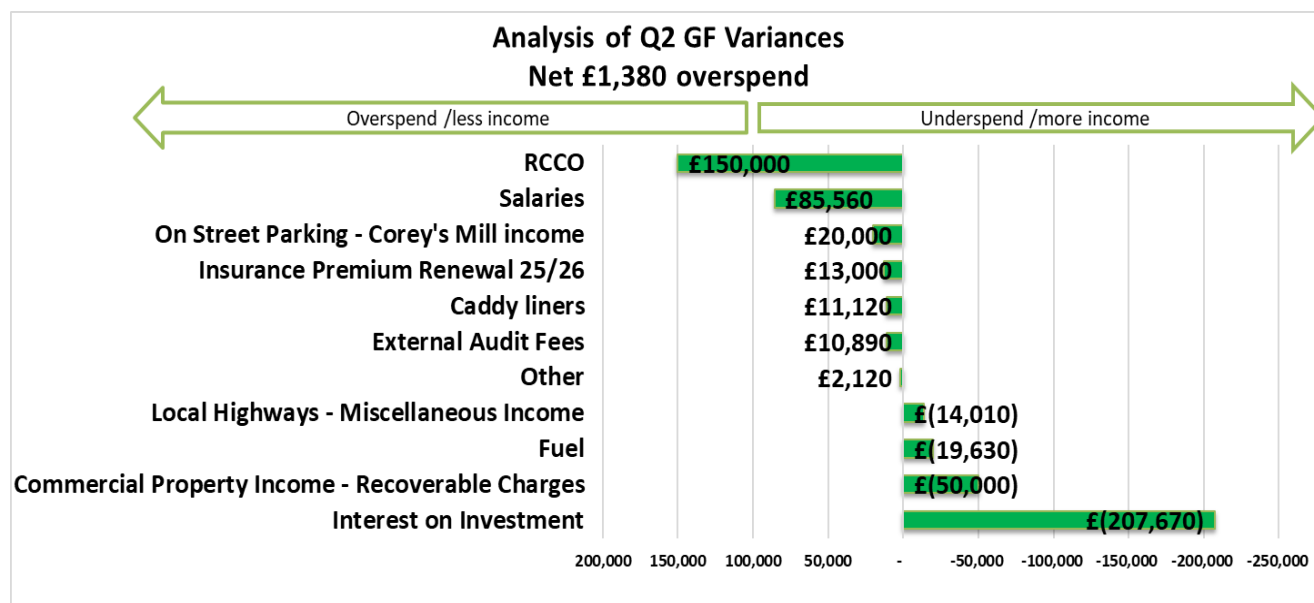
- 3.1. Since the General Fund net budget of £10,753,540 was approved at February 2025 Council, Members have approved net budget changes of £28,460 as detailed in the chart below:1.1.3



4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund – Budget Review

4.1.1 Following the second quarter review of the General Fund budgets officers are projecting an increase in the forecast budget spend for the year of £1,380.



4.1.2 The reasons for the overspend or less income are detailed below:

- **Revenue Contribution to Capital (RCCO) £150K** – as detailed in section 4.10.5 of this report, there is a shortfall in capital resources and, consequently, approval is sought to increase the deferred works reserve by £150K, from revenue reserves which are projected to be £6.599 Million and £93K above the Original Budget projection. Due to restricted availability of capital resources, only approved schemes are being considered for funding. Therefore, this contribution will provide additional flexibility to support any urgent unplanned works during 2025/26 and potentially beyond.
- The overall **salary budget** is forecast to **overspend by £86K**, primarily due to pressures within specific service areas. At the 1st Quarter, the pay budget increased by £262K, mainly relating to transitional vacancy.
 - i) **Stevenage Direct Services £45K** – this variance relates to additional agency staffing costs required to cover the weekend working, overtime, and sickness absence. Similar pressures have been experienced in previous years; therefore, a business unit review is scheduled to commence later in the year to address both the operational and financial challenges within the existing establishment structure.

- ii) **Stevenage Works £29K** – an outreach programme was established to deliver workplace learning opportunities within the community. This initiative was initially funded through contributions from contractors involved in the housing refurbishment programme. As this external funding is nearing depletion (see paragraph 4.3), the £29K variance represents a shortfall required to maintain the service until the end of the current financial year. A growth bid is being considered for inclusion in the 2026-27 budget to ensure ongoing sustainability.
- iii) **Pay award £58K** – following the conclusion of the national pay negotiations a pay award of 3.2% was agreed between the Employers and Unions and implemented in the August payroll. This represents a 0.2% increase above the original budget assumption of 3% resulting in the reported overspend. The table below summarises the increased cost per service.

Service	Pay Award 0.2% £
Finance	5,096
HR	4,852
Regeneration	2,318
Business and Improvement	4,500
Housing & Neighbourhood	8,157
IT	6,092
SDS	14,161
Corporate	6,197
Planning & Regulatory	6,809
Total	58,184

- **On Street Parking £20K Reduced Income** – a reduction in income is anticipated due to the temporary closure of approximately twelve bays at Corey's Mill for three weeks in November followed by a further closure period of three months from January 2026.
- **Insurance Premium Renewal £13K Overspend** – the annual insurance renewal, effective from October, has resulted in higher than anticipated premiums despite the Council's brokers' best efforts to secure competitive rates. The overall annual increase equates to £75K (6%) across both the General Fund (GF) and Housing Revenue Account (HRA). This is then split over two funds HRA and GF. The GF share of this pressure is £13K with the main increase relating to Public Liability insurance costs.
- **Caddy liners £11K Additional Spend** - in July 2025, Cabinet agreed to the spend of Extended Producer Responsibility (EPR) funding to improve participation in recycling, with this funding primarily aimed at recycling improvements at flat blocks. To support the roll out of separate weekly food waste collection, it is now proposed that Cabinet approve the use of EPR funding reserve (see paragraph 4.3) to fund the purchase of an initial free supply of food waste caddy liners for all residents at the launch of the new weekly food waste service in March 2026. There is evidence that demonstrates it is both

best practice and improves participation in a food waste recycling service when caddy liners are provided. The ongoing supply of liners, beyond the initial launch period will be reviewed.

- **External Audit Fees £11K Overspend** – this variance is as a result of additional audit fees for the 2021/22 and 2022/23 financial years, where the final costs exceeded the original budget assumptions due to the additional work required to address disclaimer issues.
- **Other Variances £2K Overspend** – a combination of small variances across the service.

4.1.3 The reasons for the underspend or more income are detailed below:

- **Local Highways (£14K) Additional Income** – income from street naming and numbering of residential areas is projected to exceed budget by £14K, driven by residential development activity across Stevenage.
- **Fuel (£20K) Underspend** – the average price per litre for fuel during the first six months of the year has been slightly below the budgeted rate, resulting in a saving of £20K. Forecasts for the remainder of the year assume prices will return to the budgeted level.
- **Recoverable Charges (£50K) Additional Income** – Additional income has been generated from recharges of commercial property insurance premiums to tenants. These costs have increased in line with higher property valuations and revised rental levels. Additional insurance premium costs have been accounted for within this monitoring.
- **Interest on Investment (£208K) Additional Income** – this reflects the continuation of the favourable trend reported at Quarter 1, with income benefiting from sustained higher cash balances and a positive interest rate environment. Based on the Council's latest cashflow projections, investment returns are expected to remain above the original budget assumptions for the remainder of the financial year.

The cumulative changes made to the General Fund net budget, remain within the £400,000 increase variation limit delegated to the Cabinet.

Cabinet Delegation - General Fund	£'000
Original Net General Fund Budget	10,754
Previously approved Budget Changes	(28)
Revised GF Budget agreed	10,725
Quarterly monitoring Q2 projection	1
Updated GF Budget	10,726
Increase Variation Limit Delegated	400
Variations to date	(27)
Within Cabinet Delegated Limit	427

4.2 Collection Fund

4.2.1 The Council is responsible for the collection of both Council Tax and Business Rates, also known as National Non-Domestic Rates (NNDR), which are administered through the Collection Fund. Income from these sources is monitored throughout the year and compared against the anticipated levels set during the budget-setting process.

4.2.2 Although the income credited to the Council's General Fund revenue account is determined through the annual Council Tax precept (approved by Council each February) and the NNDR1 government return (which sets the Council's share of business rates income), any variance between actual and budgeted income is retained within the Collection Fund. These variances are carried forward as either a surplus or deficit and are subsequently redistributed or recovered from the General Fund in future financial years.

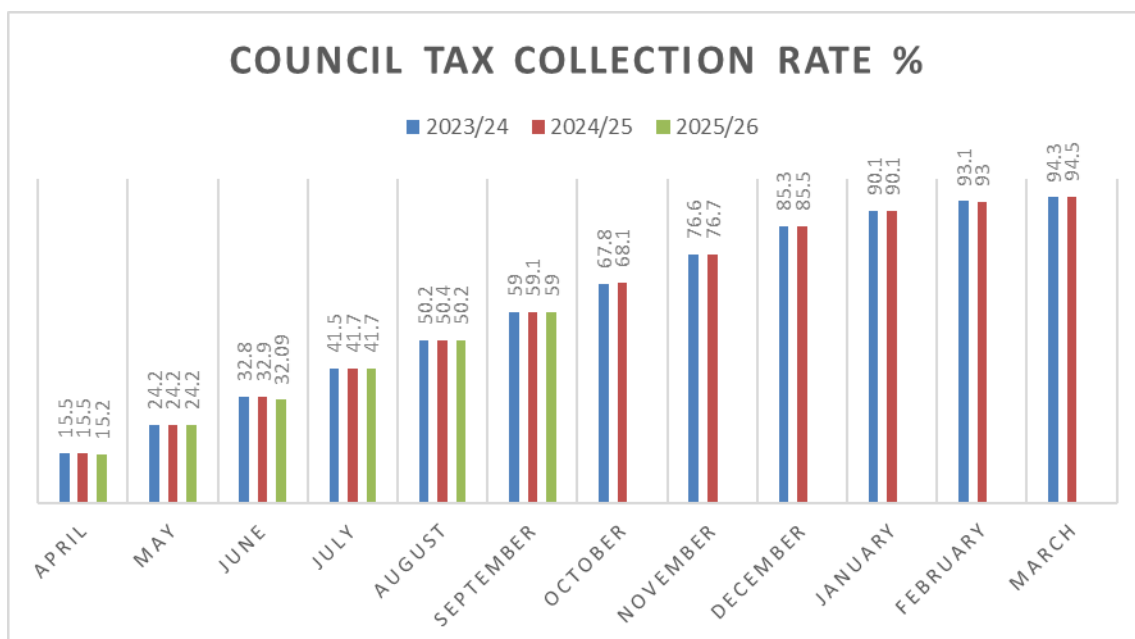
4.2.3 Council Tax Receipts

4.2.4 Council Tax income is collected on behalf of all precepting bodies (Stevenage Borough Council, Hertfordshire County Council, and the Hertfordshire Police Authority) and distributed in accordance with the approved precepts.

4.2.5 For 2025/26, the total Council Tax liability raised for collection (after allowing for discounts, exemptions, and reductions) amounts to £65.974 Million, of which £7.125 Million (10.8%) represents the Council's share.

4.2.6 Monitoring performance involves assessing the proportion of cash collected at the end of each accounting period, expressed as a percentage of the total amount billed. This is compared against historical collection trends to determine whether current performance is on target, exceeding expectations, or underperforming.

4.2.7 The graph below shows how current year collections compare against previous years:



4.2.8 As at the end of September 2025, total Council Tax collections equated to 59% of the total liability (59.1% 2024/25 and 59% 2023/24), which is only marginally below the corresponding percentage collected in September in previous year.

4.2.9 Council Tax – Tax Base

4.2.10 The Council Tax Base represents the estimated number of chargeable properties within the Borough, adjusted for discounts, reliefs, and exemptions, and expressed as a number of band D equivalent properties. This figure is further adjusted to reflect the assumed collection rate, accounting for potential bad debts.

4.2.11 For 2025/26, the approved tax base was 29,155 Band D equivalent properties (prior to adjustments for non-collection). This estimate carries an inherent level of risk, as any variation between the forecasted and actual number of chargeable dwellings will result in either a surplus or deficit within the Collection Fund which will impact on the Council's Medium Term Financial Strategy.

4.2.12 Monitoring as at end of August 2025 indicates a current tax base of 29,221 which is slightly above the budgeted tax base. This positive variance reduces the risk of the Collection Fund reporting a deficit at the end of the financial year. However, the position will continue to be closely monitored throughout the year, as fluctuations are expected due to new property completions and removals from the rating list.

4.2.13 Council Tax Forecast

4.2.14 Taking the above matters into account and projecting to the end of the financial year, early indications suggest that the Collection Fund in respect of Council Tax is forecast to deliver a surplus of £0.822 Million in 2025/26. Although the current in-year collection rate of 59% is slightly below the 60% target, this shortfall is offset by an increase in number of chargeable properties and a

reduction in discounts. Based on the latest tax base and bad debt provision, this has resulted in an overall improvement in the projected collection fund position. If the surplus is realised, the Council's share would be approximately £88K which would be credited to the General Fund in 2026/27.

	Shares %	Budget 2025/26 £	Forecast Year End Position £	Variance £
Gross Council Tax income for 25/26		(60,224,606)	(73,163,207)	
Less: Council Tax Support		6,286,015	6,709,309	
Net Collectible Council Tax		(66,510,621)	(66,453,899)	
Increase/ (decrease) to BDP		1,330,212	451,657	
Council Tax Income		(65,180,409)	(66,002,242)	
Allocation of Council Tax				
Stevenage Borough Council	10.80%	(7,040,510)	(7,128,242)	(87,732)
Hertfordshire County Council	77.58%	(50,568,372)	(51,204,539)	(636,168)
Hertfordshire Police Authority	11.62%	(7,571,527)	(7,669,461)	(97,934)
Total Allocation		(65,180,409)	(66,002,242)	(821,833)

4.2.15 Business Rates

4.2.16 Business Rates income can significantly vary due the impact of appeals and changes in valuations, vacant properties, making in-year monitoring of cash collections more complex and provides less certainty about the final outturn position.

4.2.17 Given these factors, Business Rates monitoring focuses on projecting the year-end outturn and the resulting surplus or deficit position on the Collection Fund, rather than solely tracking in-year cash collection performance.

4.2.18 The table below summarises the forecast business rates income for the year as at the end of September, compared with the original estimates set out in the NNDR1 return:

	Shares %	Budget 2025/26 (NNDR 1) £	Forecast Year End Position £	Variance £
Gross Business Rates Income		(70,023,017)	(66,446,113)	3,576,904
Forecast appeals in 2025/26		3,251,000	93,166	(3,157,834)
Transitional protection relief		287,533	(202,978)	(490,511)
Reliefs		8,929,944	9,095,547	165,603
		(57,554,540)	(57,460,378)	94,162
Increase/ (decrease) to bad debt provision		672,000	152,706	(519,294)
Net Collectable Business Rates		(56,882,540)	(57,307,672)	(425,132)
Transitional protection payment due to Council		(287,533)	202,978	490,511
Cost of Collection Allowance		108,306	108,306	0
Renewable Energy		1,597	1,597	0
Net Business Rates Income Total		(57,060,170)	(56,994,790)	65,380
Allocation of Business Rates Income				
Central Government	50%	(28,530,085)	(28,497,395)	32,690
Hertfordshire County Council	10%	(5,706,017)	(5,699,479)	6,538
Stevenage Borough Council	40%	(22,824,068)	(22,797,916)	26,152
Total Allocations		(57,060,170)	(56,994,790)	65,380

	Budget 2025/26 (NNDR 1) £	Forecast Year End Position £	Variance £
Net yield	(57,060,170)	(56,994,790)	65,380
Stevenage share of yield	(22,824,068)	(22,797,916)	26,152
Tariff	19,488,317	19,488,317	0
Share net of tariff	(3,335,751)	(3,309,599)	26,152
S31 grant payable	(2,210,373)	(2,136,638)	73,735
Baseline Funding Level	(2,851,146)	(2,851,146)	0
Gains before levy applied	(2,694,978)	(2,595,091)	
Gains applicable for levy	(1,854,678)	(1,710,224)	
Levy due 50%	927,339	855,112	(72,227)
Retained Business Rates	(4,618,785)	(4,591,125)	27,660

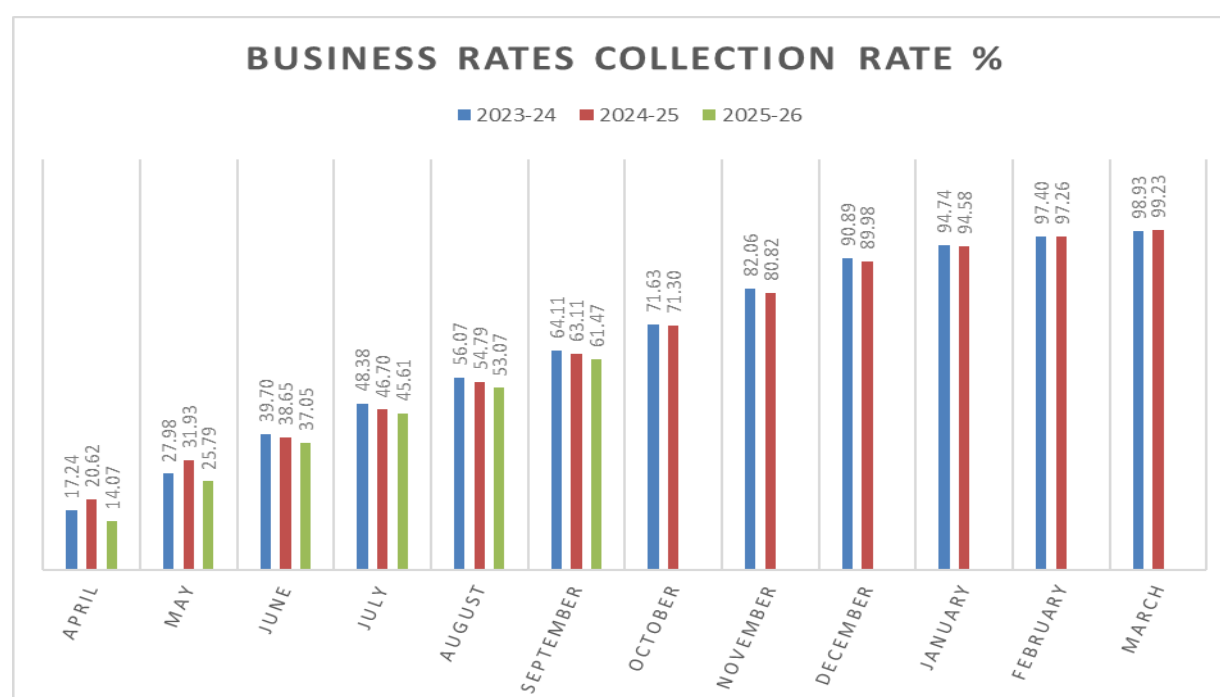
4.2.19 The data indicates that gross rates payable (before reductions for reliefs or exemptions) have decreased by £3.577 Million compared with the original estimate. However, this reduction has been largely offset by movements within the appeals provision, which accounts for the majority of refunds and adjustments arising during the year.

4.2.20 After accounting for the appeals provision of £3.158 Million, alongside adjustments for bad debt and both mandatory and discretionary reliefs, the net position reflects a deficit of £65K within the Collection Fund. Of this, approximately 40% (£26K) is attributable to the Council and will be charged to the General Fund in future financial years however, this impact is expected to be mitigated through the use of reserves.

4.2.21 Overall, current projections for the Council show a net adverse variance of £28K compared to initial estimates. This position will continue to be monitored closely throughout the remainder of the financial year.

4.2.22 Although this represents a deficit position for the Council, it should be noted that a £1.2 Million gain was budgeted for 2025/26, of which only £200K has been recognised in the General Fund, with the remaining balance held in reserves. Therefore, any deficit arising in year can be accommodated through a drawdown from reserves.

4.2.23 The following table illustrates the business rates collection rate achieved to the end of September 2025, compared with the same period in previous years:



4.2.24 Analysis shows that the collection rate for September 2025 stands at 61.47%, which is above the Quarter 2 target of 60%. Although this represents a marginal decrease compared with exceptionally strong collection rates achieved in previous years (63.11% in 2024/25 and 64.11% in 2023/24), the current performance remains positive and indicates that the Council is on track to meet its overall collection target for the year.

4.2.25 Early indications suggest that the reduction in the retail relief has resulted in increased payment pressures for some ratepayers, leading to a rise in arrears

cases. The Revenues and Benefits team plans to undertake a detailed review of outstanding accounts and will continue to monitor collection activity closely, with a view to improving recovery performance over the coming months.

4.2.26 Housing Benefit

4.2.27 Based on the latest information available, the Housing Benefit is showing a net underspend driven by slightly lower benefit payments and a higher level of subsidy claimed. This favourable variance is expected to offset the reduced spend in the Housing Benefit budget, with no material impact on the General Fund. The budget for the year will be adjusted to reflect these changes.

4.3 Review of General Fund Balances

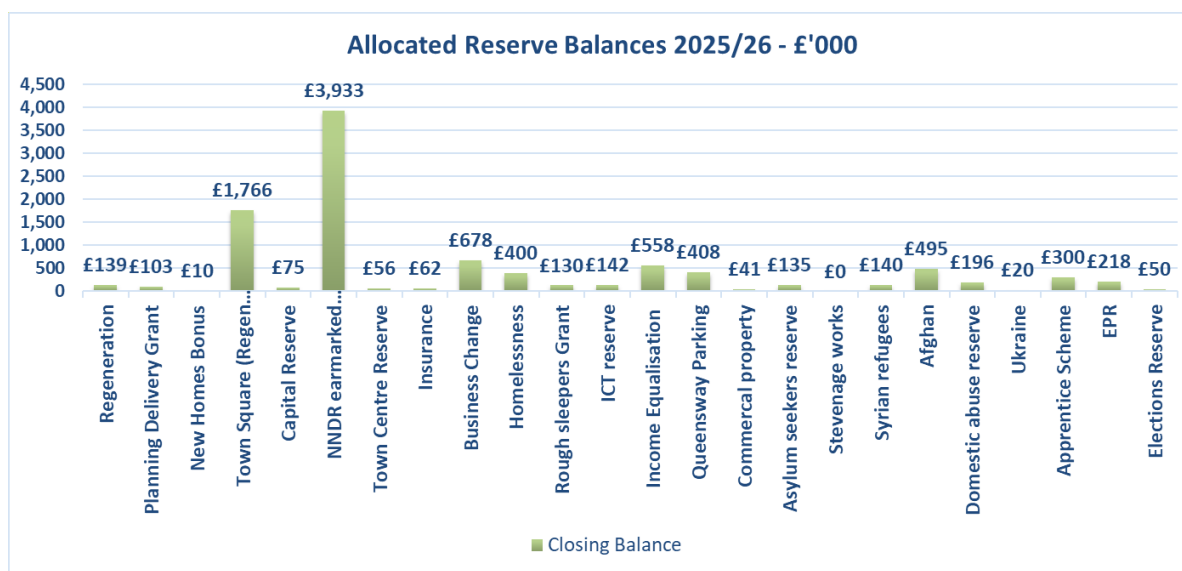
4.3.1 **Allocated Reserves** - these balances are 'ring fenced' and have been set aside for specific purposes. The estimated total value of (revenue) allocated reserves as at 31 March 2026 is **£10,053,365** (31 March 2025, £11,030,040). During quarter two, the following movement between reserves have been recommended.

Reserves	Q2 To Be Approved
Town Square (Regeneration SG1)	(34,360)
Business Change	85,530
Stevenage works	19,523
EPR	11,120
Homelessness	(109,080)
Home Office/DLUHC Grants	227,410
Total	200,143

*() represents movement to reserves

- **Town Square (Regeneration SG1)** – the forecast transfer to reserves for the year is based on the latest activity profile for 2025/26.
- **Business Change** – one off redundancy cost following Leisure & Green Spaces service review as part of Localities theme. The review was essential to reorganise a part of two business units (Stevenage Direct Services and Housing & Neighbourhoods), with the objective to realign resources with corporate priorities and deliver the financial saving to help balance the budget including community services and events.
- **Stevenage works** – as detailed in paragraph 4.1.2 (ii) this relates to the remaining external funding required to cover the salary costs for the Stevenage works programme. The 2025/26 budget will be increased to ensure the initiative can continue.
- **Extended Producer Responsibility (EPR) Reserve** – as detailed in paragraph 4.1.2 it is proposed that the EPR reserve be utilised to fund the initial provision of free supply of food waste caddy liners in preparation for the launch of the new weekly food waste collection service.

- **Homelessness** – the forecast transfer of additional Homelessness grant received in year subject to review before the year end.
- **Home Office/Department for Levelling Up, Housing and Communities (DLUHC)** – use of various government grants (Asylum Seekers, Syrian, Afghan and Ukraine) on additional grant funded staffing and related general expenses.



4.3.2 General Fund Balance – Following the 2nd quarter review the General Fund balance as at the 31 March 2026 is now forecast to be £6,598,781.

General Fund Balances	Working Budget £'000	Original Budget £'000
Original Net General Fund Budget	10,754	10,754
Approved budget changes	(28)	(28)
Net Working budget approved to Date	10,725	10,725
2nd Quarter Review	1	1
Total Net Expenditure post Q2 review	10,726	10,726
Less core resources at Budget Setting Report	(10,820)	(10,820)
Transfer (to)/from General Fund balances	(93)	(93)
General Fund balance 31/3/25	(6,506)	(6,506)
Transfer (to)/from General Fund balances	(93)	(93)
Projected General Fund balance 31/3/26	(6,599)	(6,599)
Allocated Revenue Reserves (Paragraph 4.3.1)	(10,053)	(10,053)
Total General Fund Revenue balances (estimated 31/3/26)	(16,652)	(16,652)

- 4.3 **Review of Savings** – As part of the 2025/26 budget setting, the Council agreed savings of £1.245 Million. The table below represents the RAG rated delivery of those schemes.

Target	RAG		% of Target
1,245,450	Delivering	1,142,450	92%
	Partially Achieving	63,000	5%
	Not Achieving	40,000	3%
1,245,450		1,245,450	

- 4.3.1 Based on the second Quarter expenditure position, the Council is on track to deliver the majority of its planned savings. However, a small number of schemes are unlikely to meet their savings targets:

Postage Franking and Bank Charges – while the savings from postage and franking are expected to be fully achieved (£42,950), the saving target of £20,050 for bank charges is not currently on track. The investigation into the reasons for this shortfall is ongoing, and the findings will be reported in the next quarter.

Indoor Market – the saving linked to the relocation of the indoor market to Park Place was estimated for a full year. This is a timing issue with the opening now planned for November 2025 and will be realised in 2026/27.

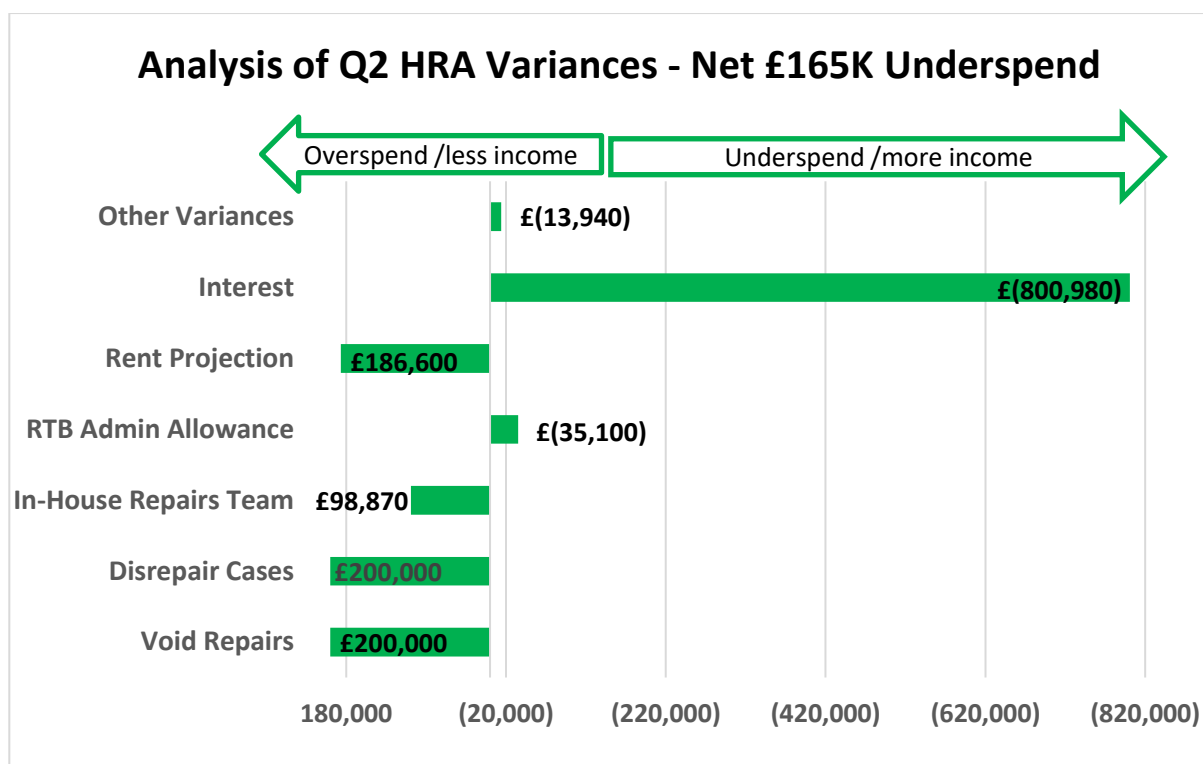
4.4 Housing Revenue Account

- 4.4.1 Since the Housing Revenue Account (HRA) net budget deficit of £668K was approved at Council in January 2025, Members have further approved net changes of £84K shown in the following table.

HRA Working Budget	£'000
Original Budget 2025/26	668
24/25 Q4 Carry Forwards	120
1st Quarter Net Projected Underspend	(36)
Total Working Budget	752

4.5 Housing Revenue Account - Budget Review

- 4.5.1 Following the second quarter review of revenue budgets officers have identified and projected the following budget movements.



4.5.2 Void Repairs £200K Overspend. As reported in the 1st quarter monitoring report, the original budget for void work was substantially reduced from the 2024/25 outturn of £3.4Million to a target of £1.75Million in 2025/26. This was based on both cost control through a retendering process and an anticipated lower number of void properties for the year. The procurement has been more complex than anticipated and new contracts have commenced slightly later than expected. This combined with a higher number of projected void properties for the year, has led to increased costs of £250K being added to the budget in the 1st quarter and a further £200K projected in the 2nd quarter. This will bring the total revenue void cost to £2.2 Million for 2025/26, which is still substantially lower than last year's outturn of £3.4 Million. However, this is a demand led service, and costs depend on both the number and condition of the properties becoming void. Therefore, this will continue to be monitored closely over the second half of the year.

4.5.3 Disrepair Cases £200K Overspend. This is another service area with variable demand and an original budget of £300K to meet these costs. Looking at current caseloads and the level of legal and compensation costs seen to date, it is now estimated that a further £200K will be needed in this year. Going forward, these additional costs have been mitigated by improved case management and increased investment in preventing disrepair issues. However, the timing and costs relating to the residual cases will continue to be monitored closely during the year, as these are resolved.

4.5.4 In-House Repairs Team £99K Overspend. Taking into account the latest projections for the trading account, there is a £99K increase in the deficit for the service. This is a 1.5% increase on the current budgeted total charges of £6.6Million in the HRA and relates to the number and type of jobs expected to

be completed in the year and changes in cost like the increased pay award. Like the Void Repairs service mentioned in 4.5.2, this is also a demand led area, and these figures may be revised in future monitoring to reflect actual activity over the rest of the year.

- 4.5.5 **Right to Buy (RTB) admin cost allowance (£35K) Additional Income.** The RTB regulations allow the Council to deduct £1,300 per sale to cover the administration process of the scheme. At the 1st quarter it was reported that there had been a large number of applications made before the Government's reduction in discount applicable came into force and that there were likely to be more sales in 2025/26. The number of estimated sales was increased from 50 to 75. However, after analysing the latest position, this number has been increased again to 102 projected sales for this year. This has increased the expected admin allowance by a further £35K in 2025/26. However, this is still expected to be a temporary change, as the lower discount is likely to reduce future sales under the scheme.
- 4.5.6 **Rent £187K Reduced Income.** The latest projection for rental income in the HRA shows a £187K reduction from the original budget. The main reason for the reduction is the increased number of RTB sales in the first half of the year (as set out above). However, this has been partially mitigated by improved void loss performance that is projected to be £100K lower than the initial estimate of £680K. The £187K loss of income represents a 0.37% variance against the £50.9Million annual budget.
- 4.5.7 **Interest (£801K) Underspend.** Due to the timing of taking new loans in the HRA there is an expected net saving of £801K in 2025/26. Loan interest has been reduced from £10.1Million to £8.6Million, a saving of £1.5Million. However, this has been offset by a reduction of interest earned on balances from £1.4Million to £700K, as cash balances are used to finance capital expenditure through internal borrowing. In the medium term it is planned to convert the current internal borrowing to external loans, but the timing of this decision will be made to minimise interest costs for the HRA. The overall debt position will continue to be monitored closely during the remaining half of this year and will be adjusted to provide the most cost-efficient funding of the service.
- 4.5.8 **Net Other Variances (£14K) Underspend.** There were other net positive variances in the HRA totalling a £14K that have not been listed separately in the report.

4.6 Housing Revenue Account Balances

- 4.6.1 Following the second quarter review, the HRA balance is now forecast to be £10.2Million and is above minimum required balances.

Housing Revenue Account Outturn Position	£'000
Working Budget – Council 22nd January 2025	752
2nd Quarter Net Projected Underspend	(165)
Projected net Deficit post 2nd Quarter review	588
HRA balance brought forward 01/04/25	(10,926)
Deficit in year	588
Projected HRA balance 31/03/2026	(10,338)
Remaining Cabinet Delegated Limit	700

4.7 Capital Monitoring

4.7.1. The latest approved 2025/26 capital strategy for each fund before the proposed changes below was:

- General Fund £48 Million
- Housing Revenue Account £43 Million

4.7.2. The table sets out the current projected position for the Capital programme 2025/26 and any proposed rephasing of budgets at 2nd Quarter into future years.

	2025/26				2026/27		2027/28	
£000	Actual Spend Q2	Approved Capital Strategy	Q2 Revised Strategy	Variance	Re-phased	Q2 Revised Strategy	Re-phased	Revised Strategy
Total GF Schemes	9,387	47,618	41,433	(6,185)	6,431	42,571	-	18,153
Total HRA Schemes	7,998	42,947	39,387	(3,561)	3,561	69,850	-	41,030
Total Capital Programme	17,385	90,565	80,820	(9,746)	9,992	112,421	-	59,183
Re-phase detail:								
Stevenage Direct Services (SDS)				(1,040)	998		-	
Housing Development				(4,100)	4,100		-	
Estates				150	-			
Digital and Transformation				(37)	38			
Regeneration				(996)	1,140			
Leisure				(39)	155			
Deferred works reserve				(123)	-			
Total GF Re-phasing				(6,185)	6,431		-	
New Build (Housing Development)				(3,561)	3,561		-	
Total HRA Re-phasing				(3,561)	3,561		-	

Re-phasing

4.8. Re-phasing (re-profiling) of budgets are changes regarding the forecast timing of expenditure from the approved programme, between financial years, with no reported increase or decrease in budget requirement.

4.8.1. Forecasting spend during the year involves making assumptions about future events that may be out of the control of service managers e.g. weather, thus re-phasing is a normal part of capital monitoring.

4.8.2. General Fund – re-phasing £6.4Million - the main items are explained below:

- SDS – re-phasing of £998k for operational vehicles and new round receptacles to match expected deliver in 2026/27.
- Housing Development £4.1Million –
 - The Oval - £2.6Million, the budget has now rephased into 2026/27, to align with the principal contractors latest cashflow.
 - Kenilworth – Malvern Close - £1.5Million re-phased into 2026/27 as progress on site has been limited whilst the Department for Transport process a Stopping Up Order to enable works to take place. All objections have now been resolved and works expected to start on site in Q3.
- Regeneration £1.1Million – public sector hub budget re-phased into 2026/27.

4.8.3. HRA – re-phasing £3.6Million - the main items are explained below:

- Housing Development (HRA) –
 - The Oval (HRA) – £1.9Million, the budget has now rephased into 2026/27, to align with the principal contractors latest cashflow.
 - Redcar Drive - £1.7Million – rephase following the finalisations of the land sale and the commitments to purchase the 12 new affordable units at the site once construction is completed. (Cartref).
- Housing investment in existing stock – the HRA capital programme will be revised in 3rd Quarter to reflect the new HRA business plan which will be presented to cabinet for approval in November 2025.

4.9. Virements and Grant funded growth to note.

4.9.1. Members are asked to note the following:

4.9.2. General Fund –

- Increase of £144k in the budget for the repurposing of Boston House for the indoor market – this relates to structural works on site, funded from landlord contributions (KE251)

- Addition of £73k budget to invest in new Play zone development at King George V Playing Fields funded from S106 contributions (KC256).

4.10. Virements to approve

- 4.10.1. Golf course driving range health and safety works £60k (KC903) – budget is requested to be vired from the deferred works reserve to fund this work to ensure the safety of adjacent properties subject to encroachment by golf balls. Pending legal action has meant that this now urgent.
- 4.10.2. Income generating investment - £10k is requested to be funded from the deferred works reserve to employ a specialist to provide drawings and secure planning permission so that an operator can be engaged who will fund the capital investment for the development and operation of Padel Courts (2-4) transform the dilapidated tennis courts at King George V into income generating Padel courts for the council (£10k annually).
- 4.10.3. Phase 1 of the stage LED replacement programme and the complete change of auditorium house lights to LED at SALC is now expected to cost £215k which is more than the current £159k budget. Approval is request for the transfer of £52,659 from the deferred works reserve to enable this project to be delivered. The small remaining difference being cover by existing leisure budgets.
- 4.10.4. The window for claiming grant funding available through the depot charging grant closes in November 2025. If the application is successful, the grant would contribute 75% of the cost of adding 40 electric charging points into Cavendish depot for both vehicle and plant charging capacity. The remaining £75k council contribution, required in 2025/26 will lead to potential annual revenue savings of circa. £78k. Approval is requested to vire £75k into a new budget code for this project from the deferred works reserve and to gross up the budget by the £225k grant contribution. If the application is not successful, the virement will not proceed.
- 4.10.5. Deferred works reserve – if all of the virements are approved, this will reduce this reserve to nil. Approval is requested that this budget is uplifted by £150k funded from RCCO to fund future urgent unplanned works in 2025/26 as set out in 4.1.2.

4.11. Capital Financing

- 4.11.1. The table below sets out the change proposed to the approved Capital Financing, because of changes to the expenditure phasing discussed above. Additional capital receipts from right to buy sales have enabled a reduction in borrowing and reliance on revenue contributions for the HRA. Funding will be revised to reflect the new HRA business plan, once approved.

£000	2024/25			2025/26		2026/27	
	Approved Capital Strategy	Q2 Revised Strategy	Variance	Re-phased	Revised Strategy	Re-phased	Revised Strategy
Total Capital Financing	90,565	80,820	(9,746)	9,992	112,421	-	59,183
Changes detail:							
Capital Receipts		(2,238)	2,265			-	
Grants and Contributions		(2,356)	2,625			-	
Short Term Borrowing		(1,438)	1,500			-	
Other		(153)	41				
Total GF Financing changes		(6,185)	6,431			-	
Capital Receipts		1,205	3,779			-	
Grant		(282)	282				
Borrowing		(3,139)	(500)				
RCCO		(1,357)	-				
Other		12	-				
Total HRA Financing changes		(3,561)	3,561			-	
Total Capital Financing		(9,746)	9,992			-	

4.12. Capital Receipts Forecast

4.12.1. The table below summaries the current capital receipts forecasts for the General Fund. These include capital receipts already ringfenced for future capital works or for the repayment of short-term internal borrowing.

Table 5: Capital Receipts	Previous Forecast £000	Revised Forecast/Actual £000	Variance £000
Capital Receipts (GF)			
Year 2025/26 Forecast	2,434	2,184	(250)
Year 2026/27 Forecast	9,243	9,493	250
Year 2027/28 Forecast	19,276	19,276	-
Total Capital Receipts (GF)	30,953	30,953	0
2025/26 HRA Right to Buy Forecast	-	18,000	18,000
2026/27 Other Capital Receipts Forecast	-	500	500
Total Capital Receipts (HRA)	-	18,500	18,500

4.12.2. Until sold, the value of land sales can fluctuate from the forecast as can be seen. Significant receipts from right to buy are expected in 2025/26 as a result of demand linked to changes in purchasing conditions. It is expected that sales will fall to less than 10 properties per annum from 2026/27.

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is financial in nature and consequently financial implications are included above. The impact of these changes for future years will be incorporated into the budget setting process.
- 5.1.2 Maintenance costs within the HRA remain volatile and this continues to be an area of financial risk. The commencement of new contracts has taken place but due to the demand led nature of large parts of the service could lead to a much larger variance over the remaining quarters of the year. The current forecast has been made on the expected contract prices and assumed volumes of work, but this will continue to be monitored closely in future reports.

5.2 Legal Implications

- 5.2.1 The objective of this report is to outline the projected General Fund net expenditure, HRA and Capital Strategy for 2025/26 and the impact on the General Fund and HRA balances. While there are no legal consequences at this stage Members are reminded of their duty to set a balanced budget.

5.3 Equalities and Diversity Implications

- 5.3.1 This report summarises external and internal factors that impact on approved budgets and recommends changes to those budgets in year. Budget changes identified for future years that could adversely impact on groups covered by statutory equality duties will be incorporated into the budget setting process which includes Equality Impact Assessments (EqIA). None of the budget changes reported will change any existing equalities and diversity policies.

5.4 Risk Implications

- 5.4.1 A risk-based assessment of balances is undertaken and reported to Council as part of the General Fund Budget setting process. Both the General Fund and HRA balances are projected to be above minimum levels.

5.5 Policy Implications

- 5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

5.6 Climate Change Implications

- 5.6.1 The Budget and Policy setting process prioritised growth for climate change. The process should have due regard for climate change implications based on the Council's Climate Change Strategy. There are no direct climate change implications from the budget changes in this report.

6. BACKGROUND PAPERS

BD1 – Final Housing Revenue Account Budget Setting and Rent Report 2025/26 (Council 22 January 2025)

BD2 – General Fund and Council Tax Setting 2025/26 and Final Capital Strategy 2024/25-2028/29 (Council 26 February 2025)

BD3 – 1st Quarter Monitoring Report General Fund, Housing Revenue Account and Capital 2025/26 (Cabinet 17th September 2025)

Appendices

A General Fund Capital Strategy Q2 (2025/26)

B HRA Capital Strategy Q2 (2025/26)